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October 25, 2005

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VIA HAND DELIVERY

The Honorable Charles L. A. Terreni
Chief Clerk and Administrator
The Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210

RECEIVED
2005 OCT 25 PM 4:48
SOUTH CAROLINA
PUBLIC SERVICE
COMMISSION

RE: **Docket No: 2002-237-E**

Duke Power, a division of Duke Energy Corporation ("Duke") vs. City of Seneca Light and Water, City of Seneca, South Carolina ("Seneca")
Request that Hearing be Cancelled and Complaint be Dismissed with Prejudice

Dear Mr. Terreni:

As you may recall, we filed a letter with the Public Service Commission of South Carolina ("Commission") on October 5, 2005 informing the Commission (i) that the above referenced complaint has been settled; (ii) that we would be filing the Settlement Agreement with the Commission; (iii) that we would ask the Commission to cancel the hearing presently scheduled in this matter for November 2, 2005; (iv) that we would ask the Commission to dismiss the complaint against Seneca, with prejudice.

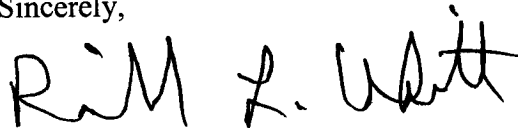
The Settlement has now been reduced to writing and we are filing the same today with the Commission for the record. Additionally, Duke, through counsel, request that the hearing presently scheduled in this matter be canceled. We also request that the complaint against Seneca be dismissed, with prejudice.

The Honorable Charles L. A. Terreni
October 25, 2005
Page 2

We write with the consent of counsel for the Office of Regulatory Staff, and the counsel for Seneca. If you have any questions or concerns please do not hesitate to contact the undersigned.

With kind regards, we are

Sincerely,

A handwritten signature in black ink, appearing to read "W. F. Austin".

William F. Austin

Richard L. Whitt

RLW/dss

cc: C. Dukes Scott, Esquire
Benjamin P. Mustian, Esquire
(both of the South Carolina Office of Regulatory Staff)
Dr. James Spearman
Jocelyn Boyd, Esquire

Via Electronic Mail
James M. Brailsford, III, Esquire

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

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SC PUBLIC SERVICE
COMMISSION

Duke Power, a division of Duke
Energy Corporation,)
)
)
Complainant/Petitioner,)
)
v.)
)
City of Seneca Light and Water,)
)
Defendant/Respondent.)
_____)

DOCKET NO. 2002-237-E

SETTLEMENT
AGREEMENT

THIS AGREEMENT is entered into this 25th day of October, 2005, between Duke Power, a division of Duke Energy Corporation, hereafter ("Duke" or "Company"), a corporation organized and existing pursuant to the laws of North Carolina and doing business pursuant to due authorization in South Carolina, the City of Seneca Light and Water (hereafter "Seneca" or "City"), a municipal corporation chartered and existing under South Carolina law and located in Oconee County, South Carolina, and the South Carolina Office of Regulatory Staff.

WHEREAS, Duke and Seneca both own and operate electric distribution systems and sell electricity to residential, commercial, and industrial customers in Oconee County, South Carolina; and

WHEREAS, a certain dispute has arisen between the Company and the City concerning their respective facilities and service rights in the unassigned territory east of the City limits of Seneca along Clemson Boulevard, Highway 123 By-Pass ("Clemson Boulevard"); and

WHEREAS, the issues involved in that dispute are set forth in the pleadings and related documents on file in the captioned action in the Public Service Commission of South Carolina (hereafter "Commission"); and

WHEREAS, the parties have decided that it is in their respective best interests and in the best interest of their customers and the public to reach a compromise settlement of the dispute and dismiss the pending action in the Public Service Commission; and

WHEREAS, the parties have negotiated and agreed to the terms of such a compromise settlement and incorporated those terms into this settlement agreement to be executed by both parties and filed with the Commission;

NOW THEREFORE, the parties agree as follows:

1. The City will re-engineer its poles and lines in both locations where Duke has put Seneca on notice that it considers the crossings of Duke's previously existing facilities by Seneca facilities to be unsafe or otherwise not in compliance with the applicable codes and or Duke construction/engineering standards; furthermore, Seneca will replace the Duke pole previously modified at one of those crossings and restore it to its former configuration, all to the reasonable satisfaction of Duke. In order to accomplish this, the parties agree

that a Duke delegate and a Seneca delegate will meet, visit the sites in question, and agree to the modification to be employed to satisfy the objection prior to the commencement of construction.

2. The City will not extend at any time its main feeder line any further East along Clemson Boulevard than the Northwest corner of the intersection of Clemson Boulevard and Old Clemson Highway and will withdraw its proposal to serve, and will not serve, a new Food Lion supermarket to be constructed East of Old Clemson Highway fronting on Clemson Boulevard. Provided, however, it is expressly understood and agreed that:

(a) The City intends to and will continue to expand its system to serve any customer that requests service from the City anywhere in the unassigned territory East of the City limits, whether on the South side or the North side of Clemson Boulevard, with the express exception of any extension along Clemson Boulevard East of the intersection of Clemson Boulevard and Old Clemson Highway as agreed above; and

(b) The City intends to and will extend its main feeder line Northward and Westward along Old Clemson Highway to make a loop back to the City, and to serve any customers requesting service from the City in any part of the unassigned territory on either side of Old Clemson Highway with the exception of any customer fronting on Clemson Boulevard East of its intersection with Old Clemson Highway; and

(c) This agreement addresses specific issues of service rights in the unassigned territory outside of the municipal limits as described herein. In the event that any of the territory covered by this agreement should in the future be annexed into the municipal limits of Seneca, the service rights of the parties inside the municipal limits of the City shall be as provided by applicable law, and not by this agreement.

3. The Parties expressly agree that this Settlement Agreement is only binding on the Parties as to the contested area, contested lines, and contested issues involved in this proceeding and the settlement thereof as outlined in this Agreement. This Settlement Agreement shall have no precedential effect on any future proceeding involving the Parties involving other areas, lines, and issues.

WITNESS our signatures on the date first above written.

DUKE POWER, A DIVISION OF
DUKE ENERGY CORPORATION

THE CITY OF SENECA
LIGHT AND WATER

By: Richard L. White

Its Counsel

By: James M. Brailsford

Its Counsel

OFFICE OF REGULATORY STAFF

By: _____

Its Counsel

Oct. 25. 2005 12:34PM

No. 6604 P. 2

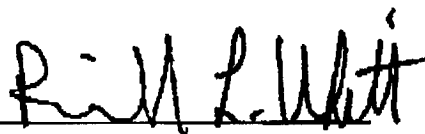
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DUKE POWER, A DIVISION OF
DUKE ENERGY CORPORATION

THE CITY OF SENECA
LIGHT AND WATER

By: 

Its Counsel

By: _____

Its Counsel

OFFICE OF REGULATORY STAFF

By: 

Its Counsel